



Petroleum Market Report

December 10, 2001

Energy Information Administration
Office of Oil & Gas

MARKET SUMMARY

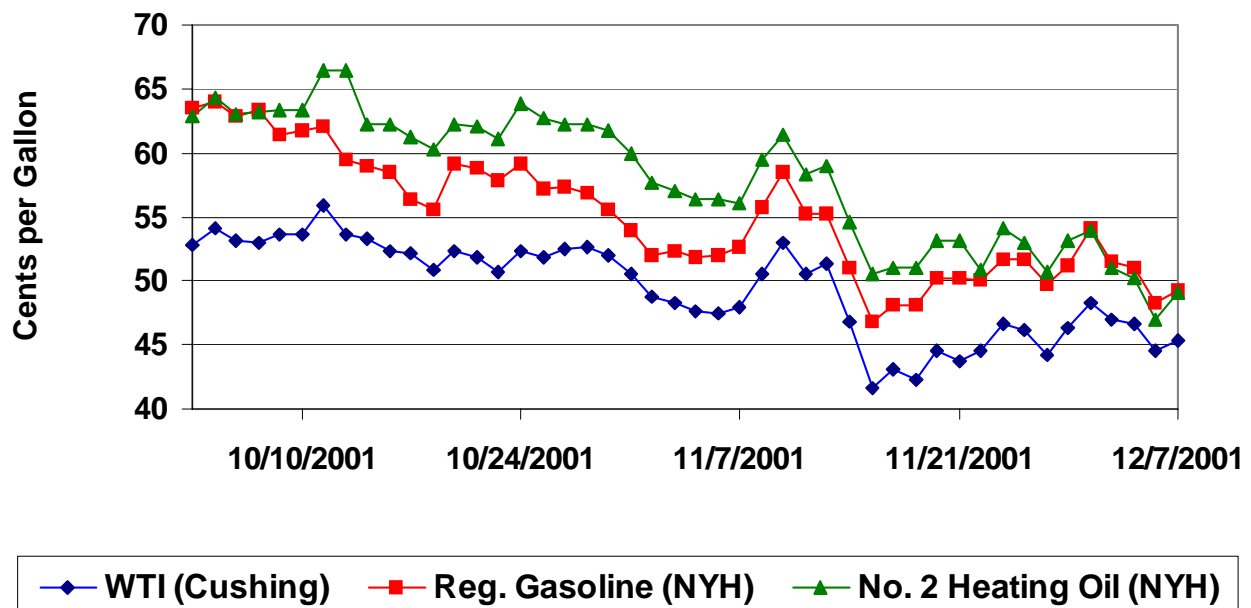
Crude oil and petroleum product spot and futures prices ended down this week, spurred by the release of a government forecast predicting that 2001 U.S. petroleum demand growth will be the weakest in ten years. However, the report expects U.S. petroleum demand to rebound in 2002. The market also continued to wait for news of a possible production cut agreement between OPEC and non-OPEC producing countries.

Crude oil - Crude oil spot and futures prices ended down for the week as forecasts of lower petroleum demand depressed prices. NYMEX futures were down \$0.40 from the previous week, closing at \$19.04 per barrel.

Gasoline - Gasoline spot and futures prices were down for the week, with the NYMEX January contract ending down 0.93 cents to end at 52.50 cents per gallon. EIA predicted that gasoline demand should remain robust for the oncoming year, but demand will not be strong enough to hold up petroleum demand as a whole.

Distillate - Unseasonably warm weather in the northeastern part of the country continued to depress heating oil demand and push down prices. NYMEX heating oil futures finished down 1.55 cents for the week, ending at 51.68 cents per gallon.

U.S. Spot Crude Oil and Product Prices



CHRONOLOGY OF RECENT MARKET EVENTS

- 12/7- rising-** short covering ahead of the weekend led to a Friday afternoon rally for the NYMEX energy futures complex, reversing some of the losses from earlier in the week.
- 12/6- falling-** crude oil and petroleum product spot and futures prices continued to fall on government predictions indicating weak petroleum demand for 2001 and doubts about OPEC's ability to curb world production. The market will also be looking for compliance if a production cut agreement is reached.
- 12/5- falling-** Data released by the Energy Information Administration showed increases in crude oil and petroleum product stocks, which pushed prices down despite a Russian pledge to decrease crude oil production by 150,000 barrels per day.
- 12/4- mixed-** Russian Prime Minister Mikhail Kasyaniv met with oil firms to discuss possible production cuts in cooperation with OPEC. Russian oil company executives have been informed of a plan to cut output by 380,000 barrels per day, but the plan is not expected to receive much support.
- 12/3- mixed-** Iraq eased market concerns by agreeing to a renewal of the U.N.'s oil-for-food program. However, heightened tensions in the Mideast gave crude futures a slight boost. Israel responded to Palestinian suicide bombings that had occurred over the weekend by firing on targets in the West Bank and the Gaza Strip.
- 11/30- rising-** NYMEX crude futures made significant gains on Friday due to the Iraq's lack of response to the renewal of the U.N.'s oil-for-food program. Traders moved to cover short positions in case of action by Iraq during the upcoming weekend.
- 11/29- falling-** the U.N. Security Council extended Iraq's oil-for-food program for another six months. This could provide a buffer if Iraq should decide to implement an export ban. The NYMEX also placed a restriction on orders placed by the failing company Enron and its affiliates.
- 11/28- falling-** conflicting signals from government and industry inventory data led to several ups and downs in crude oil trading, with prices eventually ending down for the day. Crude oil stocks showed a draw for the previous week, while petroleum product data showed that stocks were building.
- 11/27- rising-** crude oil prices finished higher on rumors that Russia may be reconsidering a larger production cut than expected. Heating oil continued to sell higher than gasoline despite mild winter temperatures. The small spread between gasoline and heating oil reflects the warm weather as well as strengthening gasoline demand.
- 11/26- mixed-** crude oil and petroleum products futures fell as trading resumed after the Thanksgiving holiday. Markets remained depressed in reaction to Russia's offer on the previous Friday to cut production by only 50,000 barrels per day. NYMEX crude futures rebounded somewhat at the end of the day on remarks from President Bush stating that Iraq should allow weapons inspectors to re-enter the country for the first time since 1998.